AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 15, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ______________ TO ______________

COMMISSION FILE NO. 0-20570

USA NETWORKS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	59-2712887
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

152 WEST 57TH STREET, NEW YORK, NEW YORK 10019

(Address of Registrant's principal executive offices)

(212) 314-7300

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

As of April 20, 2001, the following shares of the Registrant's capital stock were outstanding:

Common Stock	309,458,126
Class B Common Stock	63,033,452
Total	372,491,578
Common Stock issuable upon exchange of outstanding exchangeable subsidiary equity	361,152,846
Total outstanding Common Stock, assuming full exchange of Class B Common Stock and exchangeable subsidiary equity	733,644,424

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of April 20, 2001 was $5,457,961,277. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

Assuming the exchange, as of April 20, 2001, of all equity securities of subsidiaries of the Registrant exchangeable for Common Stock of the Registrant, the Registrant would have outstanding 733,644,424 shares of Common Stock with an aggregate market value of $17,115,924,412.

PART I--FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

USA NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
NET REVENUES		
USA ENTERTAINMENT		
Cable and studios	$ 437,651	$ 378,953
Emerging networks	6,162	562
Filmed entertainment	51,006	30,307
USA ELECTRONIC RETAILING		
Electronic retailing	455,075	420,217
USA INFORMATION AND SERVICES		
Ticketing operations	150,109	127,961
Hotel reservations	105,286	55,263
Teleservices	80,692	--
Citysearch, Match.com and related	20,928	16,975
Electronic commerce solutions	4,749	4,666
Styleclick	4,019	6,617
Total net revenues	1,315,677	1,041,521
Operating costs and expenses:		
Cost of sales and services	598,708	445,538
Program costs	201,465	165,864
Selling and marketing	147,489	123,701
General and administrative	109,848	90,235
Other operating costs	28,077	19,358
Amortization of non-cash distribution and marketing expense	8,017	1,593
Amortization of non-cash compensation expense	2,512	990
Amortization of cable distribution fees	8,756	8,223
Depreciation and amortization	137,599	104,000
Total operating costs and expenses	1,242,471	959,502
Operating profit	73,206	82,019
Other income (expense):		
Interest income	6,275	9,586
Interest expense	(17,691)	(17,615)
Gain on sale of subsidiary stock	--	3,718
Miscellaneous	(6,522)	(4,349)
	(17,938)	(8,660)
Earnings from continuing operations before income taxes, minority interest and cumulative effect of accounting change	55,268	73,359
Income tax expense	(26,462)	(35,073)
Minority interest expense	(46,189)	(45,385)
LOSS FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(17,383)	(7,099)
Cumulative effect of accounting change, net of tax	(9,187)	--
LOSS FROM CONTINUING OPERATIONS	(26,570)	(7,099)
Discontinued operations, net of tax	--	(11,773)
NET LOSS	$ (26,570)	$ (18,872)
LOSS PER SHARE FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE:		
Basic and diluted loss from continuing operations before cumulative effect of accounting change per common share	$ (.05)	$ (.02)
LOSS PER SHARE FROM CONTINUING OPERATIONS:		
Basic and diluted loss from continuing operations per common share	$ (.07)	$ (.02)
NET LOSS PER SHARE:		
Basic and diluted loss per common share	$ (.07)	$ (.06)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	MARCH 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS, EXCEPT SHARE DATA)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 309,105	$ 244,223
Restricted cash equivalents	586	2,021
Marketable securities	80,723	126,352
Accounts and notes receivable, net of allowance of $73,206 and $61,141, respectively	677,399	646,196
Inventories, net	394,985	404,468
Investments held for sale	500	750
Deferred tax assets	51,765	43,975
Other current assets, net	71,057	52,631
Net current assets of discontinued operations	6,755	7,788
Total current assets	1,592,875	1,528,404
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	342,674	322,140
Buildings and leasehold improvements	138,055	132,874
Furniture and other equipment	106,958	100,734
Land	15,602	15,658
Projects in progress	30,974	45,084
	634,263	616,490
Less accumulated depreciation and amortization	(200,136)	(172,496)
	434,127	443,994
OTHER ASSETS		
Intangible assets, net	7,432,940	7,461,862
Cable distribution fees, net	151,371	159,473
Long-term investments	53,812	49,355
Notes and accounts receivable, net of current portion ($40,585 and $22,575, respectively, from related parties)	76,531	38,301
Advance to Universal	80,360	95,220
Inventories, net	506,347	485,941
Deferred charges and other, net	108,003	83,239
Net non-current assets of discontinued operations	143,999	128,081
	$10,580,365	$10,473,870

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	MARCH 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS, EXCEPT SHARE DATA)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 28,685	$ 25,457
Accounts payable, trade	207,266	283,066
Accounts payable, client accounts	129,338	97,687
Obligations for program rights and film costs	295,469	283,812
Cable distribution fees payable	33,068	33,598
Deferred revenue	142,369	93,125
Other accrued liabilities	342,265	356,502
Total current liabilities	1,178,460	1,173,247
LONG-TERM OBLIGATIONS (net of current maturities)	586,435	552,501
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current	279,909	295,210
OTHER LONG-TERM LIABILITIES	101,333	97,526
DEFERRED INCOME TAXES	108,148	98,378
MINORITY INTEREST	4,871,291	4,817,137
STOCKHOLDERS' EQUITY		
Preferred stock--$.01 par value; authorized 15,000,000 shares; no shares issued and outstanding	--	--
Common stock--$.01 par value; authorized 1,600,000,000 shares; issued and outstanding, 309,277,867 and 305,436,198 shares, respectively	3,093	3,055
Class B--convertible common stock--$.01 par value; authorized, 400,000,000 shares; issued and outstanding, 63,033,452 shares	630	630
Additional paid-in capital	3,843,642	3,793,764
Accumulated deficit	(228,911)	(202,341)
Accumulated other comprehensive loss	(18,607)	(10,825)
Treasury stock	(140,060)	(139,414)
Note receivable from key executive for common stock issuance	(4,998)	(4,998)
Total stockholders' equity	3,454,789	3,439,871
	$10,580,365	$10,473,870

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(UNAUDITED)

	TOTAL	COMMON STOCK	CLASS B CONVERTIBLE COMMON STOCK	ADDIT. PAID-IN CAPITAL	ACCUM. DEFICIT	ACCUM. OTHER COMP. INCOME	TREASURY STOCK	NOTE RECEIVABLE FROM KEY EXECUTIVE FOR COMMON STOCK ISSUANCE
				(IN THOUSANDS)				
BALANCE AT DECEMBER 31, 2000...	$3,439,871	$3,055	$630	$3,793,764	$(202,341)	$(10,825)	$(139,414)	$(4,998)
Comprehensive income:								
Net loss for the three months ended March 31, 2001.......	(26,570)	--	--	--	(26,570)	--	--	--
Decrease in unrealized gains in available for sale securities.................	(173)	--	--	--	--	(173)	--	--
Foreign currency translation................	(7,609)	--	--	--	--	(7,609)	--	--
Comprehensive loss.........	(34,352)							
Issuance of common stock upon exercise of stock options....	29,495	37	--	29,458	--	--	--	--
Income tax benefit related to stock options exercised......	18,241	--	--	18,241	--	--	--	--
Issuance of stock in connection with other transactions......	2,180	1	--	2,179	--	--	--	--
Purchase of Treasury Stock.....	(646)	--	--	--	--	--	(646)	--
BALANCE AT MARCH 31, 2001......	$3,454,789	$3,093	$630	$3,843,642	$(228,911)	$(18,607)	$(140,060)	$(4,998)

Accumulated other comprehensive income is comprised of unrealized (losses) gains on available for sale securities of $(5,734) and $(5,561) at March 31, 2001 and December 31, 2000, respectively and foreign currency translation adjustments of $(12,873) and $(5,264) at March 31, 2001 and December 31, 2000, respectively.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2001	2000
	(IN THOUSANDS)	
Cash flows from operating activities:		
Loss from continuing operations	$ (26,570)	$ (7,099)
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	137,599	104,000
Amortization of cable distribution fees	8,756	8,223
Amortization of program rights and film costs	192,583	160,657
Cumulative effect of accounting change	9,187	--
Amortization of deferred financing costs	465	935
Amortization of non-cash distribution and marketing	8,017	1,593
Amortization of non-cash compensation expense	2,512	990
Deferred income taxes	(1,077)	(3,151)
Equity in losses of unconsolidated affiliates	4,258	4,658
Gain on sale of subsidiary stock	--	(3,718)
Non-cash interest income	(1,614)	(2,482)
Minority interest expense	46,189	45,441
Changes in current assets and liabilities:	--	
Accounts receivable	(52,398)	(26,681)
Inventories	17,775	21,677
Accounts payable	(41,980)	2,954
Accrued liabilities and deferred revenue	80,909	63,169
Payment for program rights and film costs	(242,170)	(183,520)
Increase in cable distribution fees	(732)	(18,591)
Other, net	(14,521)	11,893
NET CASH PROVIDED BY OPERATING ACTIVITIES	127,188	180,948
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(82,253)	(21,594)
Capital expenditures	(28,850)	(25,688)
Advance to Styleclick	--	(5,000)
Recoupment of advance to Universal	16,474	15,074
(Increase) decrease in long-term investments and notes receivable	(30,619)	458
Redemption (purchase) of marketable securities	45,565	(49,684)
Other, net	(4,588)	(2,885)
NET CASH USED IN INVESTING ACTIVITIES	(84,271)	(89,319)
Cash flows from financing activities:		
Borrowings	40,905	19,514
Principal payments on long-term obligations	(3,368)	(17,012)
Purchase of treasury stock	(646)	(34,419)
Payment of mandatory tax distribution to LLC partners	(17,369)	(68,065)
Proceeds from sale of subsidiary stock	913	89,976
Proceeds from issuance of common stock and LLC shares	29,495	5,788
Other, net	(24,943)	(7,459)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	24,987	(11,677)
NET CASH USED BY DISCONTINUED OPERATIONS	--	(20,174)
Effect of exchange rate changes on cash and cash equivalents	(3,022)	(62)
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,882	59,716
Cash and cash equivalents at beginning of period	244,223	423,176
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 309,105	$ 482,892

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTE 1--ORGANIZATION

USA Networks, Inc. (the "Company" or "USAi") is a holding company, the subsidiaries of which are focused on the new convergence of entertainment, information and direct selling.

On January 31, 2001, Ticketmaster Online-Citysearch, Inc. and Ticketmaster Corporation, both of which are subsidiaries of USAi, completed a transaction which combined the two companies. The combined company has been renamed "Ticketmaster". Under the terms of the transaction, USAi contributed Ticketmaster Corporation to Ticketmaster Online-Citysearch and received 52 million Ticketmaster Online-Citysearch Class B Shares. The Ticketmaster Class B common stock is quoted on the Nasdaq Stock Market. As of January 31, 2001, USAi beneficially owned 68% of the outstanding Ticketmaster common stock, representing 85% of the total voting power of Ticketmaster's outstanding common stock.

On July 27, 2000, USAi and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers ("Styleclick.com"), completed the merger of Internet Shopping Network ("ISN") and Styleclick.com (the "Styleclick Transaction"). See Note 3.

On April 5, 2000, the Company acquired Precision Response Corporation ("PRC") (the "PRC Transaction"). See Note 3.

The Company is organized into three units, USA Entertainment, USA Electronic Retailing and USA Information and Services, each of which consists of various segments. The units and segments are as follows:

USA ENTERTAINMENT

- CABLE AND STUDIOS, consisting of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming.

- EMERGING NETWORKS, consists primarily of the recently acquired cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site.

- FILMED ENTERTAINMENT, consisting primarily of USA Films, which is in the film distribution and production businesses.

USA ELECTRONIC RETAILING

- ELECTRONIC RETAILING, consisting primarily of HSN and America's Store, HSN International and HSN Interactive, including HSN.com.

USA INFORMATION AND SERVICES

- TICKETING OPERATIONS, consisting primarily of Ticketmaster and Ticketmaster.com, which provide offline and online automated ticketing services.

- HOTEL RESERVATIONS, which includes Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market.

NOTE 1--ORGANIZATION (CONTINUED)

- TELESERVICES, consisting of Precision Response Corporation, a leader in outsourced customer care for both large corporations and high-growth internet-focused companies.

- CITYSEARCH, MATCH.COM AND RELATED, which primarily consists of Citysearch, which operates an online network that provides locally oriented services and information to users, and Match.com, which consists of an online personals business.

- ELECTRONIC COMMERCE SOLUTIONS, which primarily represents the Company's electronic commerce solutions business.

- STYLECLICK, a facilitator of e-commerce websites and Internet enabled applications which includes the Company's online retailing networks.

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the twelve months ended December 31, 2000.

In the opinion of the Company, all adjustments necessary for a fair presentation of such Condensed Consolidated Financial Statements have been included. Such adjustments consist of normal recurring items. Interim results are not necessarily indicative of results for a full year. The interim Condensed Consolidated Financial Statements and Notes thereto are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the Company's audited Consolidated Financial Statements and Notes thereto.

ACCOUNTING ESTIMATES

Management of the Company is required to make certain estimates and assumptions during the preparation of consolidated financial statements in accordance with generally accepted accounting principles. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

Significant estimates underlying the accompanying consolidated financial statements include the inventory carrying adjustment, program rights and film cost amortization, sales return and other revenue allowances, allowance for doubtful accounts, recoverability of intangibles and other long-lived assets, estimates of film revenue ultimates and various other operating allowances and accruals.

NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS ("SOP 00-2") during the three months ended March 31, 2001. SOP 00-2 established new film accounting standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. Specifically, SOP 00-2 requires advertising costs for theatrical and television product to be expensed as incurred. This compares to the Company's previous policy of first capitalizing these costs and then expensing them over the related revenue streams. In addition, SOP 00-2 requires development

NOTE 1--ORGANIZATION (CONTINUED)

costs for abandoned projects and certain indirect overhead costs to be charged directly to expense, instead of those costs being capitalized to film costs, which was required under the previous accounting rules. SOP 00-2 also requires all film costs to be classified in the balance sheet as non-current assets. Provisions of SOP 00-2 in other areas, such as revenue recognition, generally are consistent with the Company's existing accounting policies.

SOP 00-2 was adopted as of January 1, 2001, and the Company recorded a one-time, non-cash after-tax expense of $9.2 million. The expense is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 2001 presentation, including all amounts charged to customers for shipping and handling, which are now presented as revenue.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "2000 Form 10-K") for a summary of all significant accounting policies.

NOTE 3--BUSINESS ACQUISITIONS

STYLECLICK TRANSACTION

On July 27, 2000, USAi and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network and Styleclick.com. The entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com and ISN. Styleclick, Inc. Class A common stock is traded on the Nasdaq market under the symbol "IBUY". In accordance with the terms of the agreement, USAi invested $40 million in cash and agreed to contribute $10 million in dedicated media, and received warrants to purchase additional shares of the new company. At closing, Styleclick.com repaid $10 million of borrowings outstanding under a bridge loan provided by USAi.

The aggregate purchase price, including transaction costs, was $211.9 million.

In conjunction with the transaction, the Company recorded a pre-tax gain of $104.6 million based upon the 25% of ISN exchanged for 75% of Styleclick.com.

The Styleclick transaction has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)
assets acquired of $170.2 million was allocated to goodwill, and was initially being amortized over 3 years. Assets and liabilities as of the acquisition date consist of the following:

	(IN THOUSANDS)
Current assets	$39,992
Non-current assets	4,400
Goodwill	170,238
Current liabilities	2,716

PRC TRANSACTION

On April 5, 2000, USAi acquired PRC in a tax-free merger by issuing approximately 24.3 million shares of USAi common stock for all of the outstanding stock of PRC for a total value of approximately $710.5 million. In connection with the acquisition, the Company repaid approximately $32.3 million of outstanding borrowings under PRC's existing revolving credit facility.

The PRC Transaction has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $658.0 million has been allocated to goodwill, which is being amortized over 20 years. Assets and liabilities as of the acquisition date consist of the following:

	(IN THOUSANDS)
Current assets	$64,945
Non-current assets	90,004
Goodwill	658,006
Current liabilities	68,745
Non-current liabilities	33,739

The following unaudited pro forma condensed consolidated financial information for the three months ended March 31, 2000, is presented to show the results of the Company, as if the PRC Transaction and the Styleclick Transaction and the merger of Ticketmaster and Ticketmaster Online Citysearch, which did not impact revenues or operating profit, but rather minority interest and income taxes, had occurred at the beginning of the periods presented. The pro forma results include certain adjustments, including increased amortization related to goodwill, and are not necessarily indicative of what the results would have been had the transactions actually occurred on the aforementioned dates.

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)
Note that the amounts exclude USAB, the sale of which was announced in December 2000 and is now presented as a discontinued operation.

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Net revenues	$1,315,677	$1,112,422
Loss from continuing operations	(28,713)	(23,932)
Basic and diluted loss from continuing operations per common share	$ (.08)	$ (.07)

NOTE 4--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2001:

For the three months ended March 31, 2001, interest accrued on the $200.0 million advance to Universal amounted to $1.6 million.

For the three months ended March 31, 2001, the Company incurred non-cash distribution and marketing expense of $8.0 million.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000:

On January 20, 2000, the Company completed its acquisition of Ingenious Designs, Inc. ("IDI"), by issuing approximately 190,000 shares of USAi common stock for all the outstanding stock of IDI, for a total value of approximately $5.0 million.

On January 31, 2000, TMCS completed its acquisition of 2b Technology, Inc. ("2b"), by issuing approximately 458,005 shares of TMCS Class B Common Stock for all the outstanding stock of 2b, for a total value of approximately $17.1 million.

For the three months ended March 31, 2000, interest accrued on the $200.0 million advance to Universal amounted to $2.5 million.

For the three months ended March 31, 2000, the Company incurred non-cash distribution and marketing expense of $1.6 million.

NOTE 5--INDUSTRY SEGMENTS

The Company operates principally in the following industry segments: Cable and studios, Emerging networks, Filmed entertainment, Electronic retailing, Ticketing operations, Hotel reservations, Teleservices, Citysearch, Match.com and related, Electronic commerce solutions and Styleclick. The Cable and studios segment consists of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming. The Emerging networks segment consists primarily of the recently acquired cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site. The Filmed entertainment segment consists primarily of USA Films, which engages in

NOTE 5--INDUSTRY SEGMENTS (CONTINUED)

the film distribution and production businesses. The Electronic retailing segment consists principally of the Home Shopping Network, America's Store, HSN International and HSN Interactive, including HSN.com, which are engaged in the sale of merchandise through electronic retailing. The Ticketing operations segment primarily consists of Ticketmaster and Ticketmaster.com, which provide offline and online automated ticketing services. The Hotel reservations segment consists of Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market. The Teleservices segment was formed on April 5, 2000 in conjunction with the acquisition of PRC, which handles outsourced customer care for both large corporations and high-growth internet-focused companies. The Citysearch, Match.com and related segment primarily consists of Citysearch, which operates an online network that provides locally oriented services and information to users, and Match.com, which consists of an online personals business. The Electronic commerce solutions segment primarily represents the Company's electronic solutions business. The Styleclick segment represents Styleclick, a facilitator of

NOTE 5--INDUSTRY SEGMENTS (CONTINUED)
e-commerce websites and Internet enabled applications which includes the Company's online retailing networks.

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
	(IN THOUSANDS)	
Net revenues:		
USA ENTERTAINMENT		
Cable and studios	$ 437,651	$ 378,953
Emerging networks	6,162	562
Filmed entertainment	51,006	30,307
USA ELECTRONIC RETAILING		
Electronic retailing	455,075	420,217
USA INFORMATION AND SERVICES		
Ticketing operations	150,109	127,961
Hotel reservations	105,286	55,263
Teleservices	80,692	--
Citysearch, Match.com and related	20,928	16,975
Electronic commerce solutions	4,749	4,666
Styleclick	4,019	6,617
	$1,315,677	$1,041,521
Operating profit (loss):		
USA ENTERTAINMENT		
Cable and studios	$ 134,603	$ 110,787
Emerging networks	(4,356)	(2,266)
Filmed entertainment	(3,513)	88
USA ELECTRONIC RETAILING		
Electronic retailing	20,428	36,378
USA INFORMATION AND SERVICES		
Ticketing operations	10,585	17,225
Hotel reservations	595	866
Teleservices	(5,637)	--
Citysearch, Match.com and related	(47,288)	(54,592)
Electronic commerce solutions	(6,590)	(6,216)
Styleclick	(13,048)	(7,871)
CORPORATE AND OTHER	(12,573)	(12,380)
	$ 73,206	$ 82,019

The Company operates principally within the United States.

NOTE 6--SAVOY SUMMARIZED FINANCIAL INFORMATION (UNAUDITED)

The Company has not prepared separate financial statements and other disclosures concerning Savoy because management has determined that such information is not material to holders of the Savoy Debentures, all of which have been assumed by the Company as a joint and several obligor. The information presented is reflected at Savoy's historical cost basis.

SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	(IN THOUSANDS)	
Net sales	$2,657	$1,605
Operating expenses	2,527	615
Operating income	130	990
Net income	1,326	545

SUMMARY CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
Current assets	$ 991	$ --
Non-current assets	161,696	158,561
Current liabilities	13,681	17,021
Non-current liabilities	38,857	38,902

NOTE 7-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

On November 23, 1998, the Company and USANi LLC as co-issuers completed an offering of $500.0 million 6 3/4% Senior Notes due 2005 (the "Old Notes"). In May 1999, the Old Notes were exchanged in full for $500.0 million of new 6 3/4% Senior Notes due 2005 (the "Notes") that have terms that are substantially identical to the Old Notes. Interest is payable on the Notes on May 15 and November 15 of each year, commencing May 15, 1999. The Notes are jointly, severally, fully and unconditionally guaranteed by certain subsidiaries of the Company, including Home Shopping Network, Inc. ("Holdco"), a non-wholly owned, direct subsidiary of the Company, and all of the subsidiaries of USANi LLC (other than subsidiaries that are, individually and in the aggregate, inconsequential to USANi LLC on a consolidated basis) (collectively, the "Subsidiary Guarantors"). All of the Subsidiary Guarantors (other than Holdco) (the "Wholly Owned Subsidiary Guarantors") are wholly owned, directly or indirectly, by the Company or USANi LLC, as the case may be.

The following tables present condensed consolidating financial information for the three months ended March 31, 2001 and 2000 for: (1) the Company on a stand-alone basis, (2) Holdco on a stand-alone basis, (3) USANi LLC on a stand-alone basis, (4) the combined Wholly Owned Subsidiary Guarantors (including Wholly Owned Subsidiary Guarantors that are wholly owned subsidiaries of USANi LLC), (5) the combined non-guarantor subsidiaries of the Company (including the non-

NOTE 7-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

guarantor subsidiaries of USANi LLC (collectively, the "Non-Guarantor Subsidiaries")), and (6) the Company on a consolidated basis.

Separate financial statements for each of the Wholly Owned Subsidiary Guarantors are not presented and such Wholly Owned Subsidiary Guarantors are not filing separate reports under the Securities Exchange Act of 1934 because the Company's management has determined that the information contained in such documents would not be material to investors.

As of and for the Three Months Ended March 31, 2001

	USAI	HOLDCO	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	USAI CONSOLIDATED
Current assets	$ 380,984	$ --	$ 30,030	$ 883,048	$ 674,555	$ (375,742)	$ 1,592,875
Property and equipment, net	--	--	23,318	200,233	210,576	--	434,127
Goodwill and other intangible assets, net	73,170	--	--	4,968,710	2,391,060	--	7,432,940
Investment in subsidiaries	3,362,443	1,274,467	6,825,374	--	--	(11,462,284)	--
Other assets	104,443	--	14,453	723,451	195,918	(61,841)	976,424
Net non-current assets on discontinued operations	--	--	--	--	143,999	--	143,999
Total assets	$3,921,040	$1,274,467	$6,893,175	$6,775,442	$3,616,108	$(11,899,867)	$10,580,365
Current liabilities	$ 8,993	$ --	$ --	$ 661,832	$ 537,737	$ (30,102)	$ 1,178,460
Long-term debt, less current portion	--	--	533,288	3,655	49,492	--	586,435
Other liabilities	457,258	--	260,568	362,078	390,579	(981,093)	489,390
Minority interest	--	--	(141,266)	177,336	418,867	4,416,354	4,871,291
Interdivisional equity	--	--	--	5,538,678	2,534,214	(8,072,892)	--
Stockholders' equity	3,454,789	1,274,467	6,240,585	31,863	(314,781)	(7,232,134)	3,454,789
Total liabilities and shareholders' equity	$3,921,040	$1,274,467	$6,893,175	$6,775,442	$3,616,108	$(11,899,867)	$10,580,365
Revenue	$ --	$ --	$ --	$ 832,654	$ 483,164	$ (141)	$ 1,315,677
Operating expenses	(2,519)	--	(9,765)	(686,916)	(543,412)	141	(1,242,471)
Interest expense, net	(6,930)	--	3,228	(8,164)	450	--	(11,416)
Miscellaneous	(7,934)	26,465	112,624	1,499	(8,021)	(131,155)	(6,522)
Provision for income taxes	--	--	--	(19,777)	(6,685)	--	(26,462)
Minority interest	--	--	--	(65,239)	19,050	--	(46,189)
Net (loss) income from continuing operations	(17,383)	26,465	106,087	54,057	(55,454)	(131,155)	(17,383)
Net (loss) income from cumulative effect of accounting change	(9,187)	--	--	2,438	(11,625)	9,187	(9,187)
Net earnings (loss)	$ (26,570)	$ 26,465	$ 106,087	$ 56,495	$ (67,079)	$ (121,968)	$ (26,570)
Cash flows from operations	$ (5,031)	$ --	$ 2,081	$ 90,048	$ 40,090	$ --	$ 127,188
Cash flows used in investing activities	16,399	--	(377)	(22,595)	(77,698)	--	(84,271)
Cash flows from financing activities	(11,368)	--	24,720	(76,105)	87,740	--	24,987
Effect of exchange rate	--	--	(139)	195	(3,078)	--	(3,022)
Cash at the beginning of the period	--	--	78,079	(28,949)	195,093	--	244,223
Cash at the end of the period	$ --	$ --	$ 104,364	$ (37,406)	$ 242,147	$ --	$ 309,105

USA NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 7-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

For the Three Months Ended March 31, 2000

	USAI	HOLDCO	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	USAI CONSOLIDATED
Revenue	$ --	$ --	$ --	$ 744,534	$ 296,871	$ 116	$1,041,521
Operating expenses	(3,393)	--	(8,835)	(616,783)	(330,294)	(197)	(959,502)
Interest expense, net	(4,500)	--	4,125	(7,217)	(437)	--	(8,029)
Gain on sale of securities	3,718	--	--	--	--	--	3,718
Miscellaneous	(4,266)	6,743	137,180	(3,007)	(1,870)	(139,129)	(4,349)
Provision for income taxes	1,342	--	(27,351)	(5,048)	(4,016)	--	(35,073)
Minority interest	--	--	--	(2,296)	23,721	(66,810)	(45,385)
Net (loss) income from continuing operations	(7,099)	6,743	105,119	110,183	(16,025)	(206,020)	(7,099)
Net (loss) income from discontinued operations	(11,773)	--	--	(11,090)	(683)	11,773	(11,773)
Net earnings (loss)	$(18,872)	$ 6,743	$105,119	$ 99,093	$ (16,708)	$(194,247)	$ (18,872)
Cash flows from operations	$ (6,614)	$ --	$ 3,891	$ 161,595	$ 22,076	$ --	$ 180,948
Cash flows used in investing activities	2,656	--	(6,061)	(14,627)	(71,287)	--	(89,319)
Cash flows from financing activities	3,958	--	(14,613)	(126,591)	125,569	--	(11,677)
Net cash used by discontinued operations	--	--	--	(20,850)	676	--	(20,174)
Effect of exchange rate	--	--	--	--	(62)	--	(62)
Cash at the beginning of the period	--	--	276,678	(25,067)	171,565	--	423,176
Cash at the end of the period	$ --	$ --	$259,895	$ (25,540)	$ 248,537	$ --	$ 482,892

ITEM 2. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

GENERAL

USAi is a holding company, with subsidiaries focused on the new convergence of entertainment, information and direct selling. USAi adopted its present corporate structure in 1998 when it acquired USA Networks (consisting of USA Networks and Sci Fi Channel Cable television networks) and the domestic television production and distribution business of Universal Studios, Inc. (the "Universal Transaction"). USAi maintains control and management of Home Shopping Network, Inc. ("Holdco") and USANi LLC, and manages the businesses held by USANi LLC in substantially the same manner as they would be if USAi held them directly through wholly owned subsidiaries.

On January 31, 2001, Ticketmaster Online-Citysearch, Inc. and Ticketmaster Corporation, both of which are subsidiaries of USAi, completed a transaction which combined the two companies. The combined company has been renamed "Ticketmaster". Under the terms of the transaction, USAi contributed Ticketmaster Corporation to Ticketmaster Online-Citysearch and received 52 million Ticketmaster Online-Citysearch Class B Shares. The Ticketmaster Class B common stock is quoted on the Nasdaq Stock Market. As of January 31, 2001, USAi beneficially owned 68% of the outstanding Ticketmaster common stock, representing 85% of the total voting power of Ticketmaster's outstanding common stock.

On July 27, 2000, USAi and Styleclick.com Inc. ("Old Styleclick"), an enabler of e-commerce for manaufacturers and retailers, completed the merger of Internet Shopping Network ("ISN") and Styleclick.com, forming a new company named Styleclick, Inc. ("Styleclick") (the "Styleclick Transaction"). Styleclick class A common stock is quoted on the Nasdaq Stock Market under the symbol "IBUY".

In April 2000, the Company acquired Precision Response Corporation ("PRC"), a leader in outsourced customer care for both large corporations and high-growth internet-focused companies (the "PRC Transaction").

The Company's segments are organized into three units, USA Entertainment, USA Electronic Retailing and USA Information and Services. The units and segments are as follows:

USA ENTERTAINMENT

- CABLE AND STUDIOS, consisting of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming.

- EMERGING NETWORKS, consists primarily of the recently acquired cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site.

- FILMED ENTERTAINMENT, consisting primarily of USA Films, which is in the film distribution and production businesses.

USA ELECTRONIC RETAILING

- ELECTRONIC RETAILING, consisting primarily of HSN and America's Store, HSN International and HSN Interactive, including HSN.com.

USA INFORMATION AND SERVICES

- TICKETING OPERATIONS, consisting primarily of Ticketmaster and Ticketmaster.com, which provide offline and online automated ticketing services.

- HOTEL RESERVATIONS, which includes Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market.

- TELESERVICES, consisting of Precision Response Corporation, a leader in outsourced customer care for both large corporations and high-growth internet-focused companies.

- CITYSEARCH, MATCH.COM AND RELATED, which primarily consists of Citysearch, which operates an online network that provides locally oriented services and information to users, and Match.com, which consists of an online personals business.

- USA ELECTRONIC COMMERCE SOLUTIONS, which primarily represents the Company's electronic commerce solutions business.

- STYLECLICK, a facilitator of e-commerce websites and Internet enabled applications which includes the Company's online retailing networks.

EBITDA

Earnings before interest, income taxes, depreciation and amortization ("EBITDA") is defined as net income plus (1) provision for income taxes, (2) minority interest, (3) interest income and expense, (4) depreciation and amortization, (5) amortization of cable distribution fees, and (6) amortization of non-cash distribution and marketing expense and non-cash compensation expense. EBITDA is presented here as a management tool and as a valuation methodology for companies in the media, entertainment and communications industries. EBITDA does not purport to represent cash provided by operating activities. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

THIS REPORT INCLUDES FORWARD-LOOKING STATEMENTS RELATING TO SUCH MATTERS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, NEW DEVELOPMENTS, NEW MERCHANDISING STRATEGIES AND SIMILAR MATTERS. A VARIETY OF FACTORS COULD CAUSE THE COMPANY'S ACTUAL RESULTS AND EXPERIENCE TO DIFFER MATERIALLY FROM THE ANTICIPATED RESULTS OR OTHER EXPECTATIONS EXPRESSED IN THE COMPANY'S FORWARD-LOOKING STATEMENTS. THE RISKS AND UNCERTAINTIES THAT MAY AFFECT THE OPERATIONS, PERFORMANCE, DEVELOPMENT AND RESULTS OF THE COMPANY'S BUSINESS INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING: MATERIAL ADVERSE CHANGES IN ECONOMIC CONDITIONS IN THE MARKETS SERVED BY THE COMPANY; FUTURE REGULATORY ACTIONS AND CONDITIONS IN THE COMPANY'S OPERATING AREAS; COMPETITION FROM OTHERS; SUCCESSFUL INTEGRATION OF THE COMPANY'S DIVISIONS' MANAGEMENT STRUCTURES; PRODUCT DEMAND AND MARKET ACCEPTANCE; THE ABILITY TO PROTECT PROPRIETARY INFORMATION AND TECHNOLOGY OR TO OBTAIN NECESSARY LICENSES ON COMMERCIALLY REASONABLE TERMS; AND OBTAINING AND RETAINING KEY EXECUTIVES AND EMPLOYEES.

TRANSACTIONS AFFECTING THE COMPARABILITY OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the past years, we have augmented our media and electronic commerce businesses by acquiring and developing several new businesses. As a result, the PRC Transaction and the Styleclick Transaction should be considered when comparing our results of operations and financial position. These acquisitions caused a significant increase in net revenues, operating costs and expenses and operating profit. To enhance comparability, the discussion of consolidated results of operations is supplemented, where appropriate, with separate pro forma financial information that gives effect to the above transactions as if they had occurred at the beginning of the respective periods presented.

The pro forma information is not necessarily indicative of the revenues and cost of revenues which would have actually been reported had the Styleclick Transaction and the PRC Transaction occurred at the beginning of the respective periods, nor is it necessarily indicative of future results.

Reference should be made to the Consolidated Financial Statements.

CONSOLIDATED RESULTS OF OPERATIONS

CONTINUINING OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 VS. THREE MONTHS ENDED MARCH 31, 2000

The PRC Transaction and the Styleclick Transaction resulted in increases in net revenues, operating costs and expenses, other income (expense), minority interest and income taxes. However, no significant discussion of these fluctuations is presented.

NET REVENUES

For the three months ended March 31, 2001, revenues increased by $274.2 million, or 26.3%, to $1.3 billion from $1.0 billion in 2000 primarily due to increases of $80.7 million, $58.7 million, $50.0 million, $34.9 million, $22.2 million and $20.7 million from the Teleservices, which was acquired in April 2000, Cable and studios, Hotel reservations, Electronic retailing, Ticketing operations and Filmed entertainment businesses, respectively. Cable and studios increased by $58.7 million, or 15.5%, to $437.7 million from $379.0 in 2000. The increase resulted from an increase in advertising revenues at USA Network and Sci Fi Channel, including the satisfaction of makegood liabilities at a higher level in Q1 2001. Affiliate revenues increased at both networks due to a higher number of subscribers as compared to the prior year. Net revenues at Studios USA increased significantly due to increased drama productions for the broadcast networks and increased productions for USA Network and Sci Fi Channel. Note that Studios USA defers revenue recognition for internally produced series for USA Network and Sci Fi Channel until the product is aired on the networks. Hotel reservations increased by $50.0 million, or 90.5%, to $105.3 million from $55.3 million in 2000. The increase resulted from expansion of affiliate marketing programs to over 18,600 in 2001 from 6,000 in 2000, an increase in the number of hotels for existing cities and expansion into 86 new cities. The number of room nights sold increased 86% to 799,000 in 2001 compared to 429,000. Electronic retailing increased by $34.9 million, or 8.3%, to $455.1 million from $420.2 million in 2000. The increase primarily resulted from Home Shopping Network's domestic business, which generated increased sales of $26.9 million, including increased sales of $14.2 million from HSN.com. Electronic retailing operations in Germany generated increased sales of $7.3 million, although sales were hindered by the conversion to a new order management system, which delayed certain shipments. Total units shipped increased to 8.4 million units compared to 8.3 million units in 2000, while the average price point increased as a result of product mix. Furthermore, the return rate decreased to 20.0% from 20.9% in 2000. Ticketing operations increased by $22.2 million, or 17.3%, to $150.1 million from $128.0 million in 2000. The increase resulted from an increase of 8% in the number of tickets sold and an increase in revenue per ticket to $5.96 from $5.44 in 2000. The percentage of tickets sold online for 2001 is approximately 29.5%, as compared to 19.6% in 2000. Filmed entertainment increased by $20.7 million, or 68.3%, to $51.0 million compared to $30.3 million in 2000 due primarily to increased revenues generated in the first quarter from theatrical revenues on TRAFFIC, the third highest grossing film during Q1 in North America.

OPERATING COSTS AND EXPENSES

For the three months ended March 31, 2001, operating expenses increased by $240.9 million, or 28.5%, to $1.1 billion from $844.7 million in 2000, primarily due to increases of $70.7 million, $46.7 million, $42.4 million, $34.0 million and $23.9 million from the Teleservices, Electronic retailing, Hotel reservations, Cable and studios and Filmed entertainment businesses, respectively. Electronic retailing increased primarily from higher sales volume, including the impact of selling goods at a lower margin of 32.3% in 2001 as compared to 33.6% in 2000, and higher international costs related to the Company's expansion efforts and increased live broadcasting hours. The increase in costs of Hotel reservations is primarily due to increased sales, including an increased percentage of revenue attributable to affiliate and travel agent sales (for which commissions are paid), increased credit card charge backs, and increased staffing levels and systems to support increased operations, and higher marketing costs, partially offset by lower telephone and telephone operator costs due to the increase in Internet-related bookings, which increased to 96.5% in 2001 compared to 90.8% in 2000. Cable and studios increased primarily from costs associated with the increased revenues of all of the businesses, including the costs of providing more new product to the broadcast networks, for which programs generally run a deficit in the early years, offset partially by efficient use of programming by USA Network, resulting in reduced program amortization, and increased usage of internally developed product. Filmed entertainment costs increased due to higher film amortization costs and higher prints and advertising costs, as the Company adopted SOP 00-2, "Accounting by Producers and Distributors of Films" in Q1 2001. The new rules require that print and advertising costs be expensed as incurred.

OTHER INCOME (EXPENSE)

For the three months ended March 31, 2001, net interest expense increased by $3.4 million, compared to 2000 primarily due to lower short-term investment levels. Other expense, net increased $5.9 million due primarily to the $3.7 million gain recognized in the three months ended March 31, 2000 related to the initial public offering of its subsidiary, Hotel Reservations Network, Inc. ("HRN").

INCOME TAXES

USAi's effective tax rate of 46.1% for the three months ended March 31, 2001 was higher than the statutory rate due to the impact on taxable income of non-deductible goodwill, consolidated book losses not consolidated into taxable income and state income taxes.

MINORITY INTEREST

For the periods presented, minority interest primarily represented Universal's and Liberty's ownership interest in USANi LLC, Liberty's ownership interest in Holdco, the public's ownership in Ticketmaster, the public's ownership interest in HRN since February 25, 2000 and the public's ownership interest in Styleclick since July 27, 2000.

DISCONTINUED OPERATIONS

In December 2000, the Company announced that Univision Communications Inc. ("Univision") will acquire, for $1.1 billion in cash, all of the capital stock of certain USA Broadcasting ("USAB") subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations. The loss for USAB for the three months ended March 31, 2000 was $11.8 million, net of tax benefit of $3.1 million and is presented as a discontinued operation.

PRO FORMA THREE MONTHS ENDED MARCH 31, 2001
VS. PRO FORMA THREE MONTHS ENDED MARCH 31, 2000

The following unaudited pro forma operating results of USAi present combined results of operations as if the PRC Transaction and the Styleclick Transaction all had occurred on January 1, 2000. The unaudited combined condensed pro forma statements of operations of USAi are presented below for illustrative purposes only and are not necessarily indicative of the results of operations that would have actually been reported had any of the transactions occurred as of January 1, 2000, nor are they necessarily indicative of future results of operations.

UNAUDITED COMBINED CONDENSED PRO FORMA STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
NET REVENUES:		
USA ENTERTAINMENT		
Cable and studios	$ 437,651	$ 378,953
Emerging networks	6,162	562
Filmed entertainment	51,006	30,307
USA ELECTRONIC RETAILING		
Electronic retailing	455,075	420,217
USA INFORMATION AND SERVICES		
Ticketing operations	150,109	127,961
Hotel reservations	105,286	55,263
Teleservices	80,692	69,649
Citysearch, Match.com and related	20,928	16,975
Electronic commerce solutions	4,749	4,666
Styleclick	4,019	7,869
Total net revenues	1,315,677	1,112,422
Operating costs and expenses:		
Cost of sales	598,708	499,739
Program costs	201,465	165,864
Selling and marketing	147,489	123,701
General and administrative	109,848	101,815
Other operating costs	28,077	19,358
Amortization of non cash distribution and marketing expense	8,017	1,593
Amortization of non cash compensation expense	2,512	990
Amortization of cable distribution fees	8,756	8,223
Depreciation and amortization	137,599	135,198
Total operating costs and expenses	1,242,471	1,056,481
Operating profit	$ 73,206	$ 55,941
EBITDA	$ 230,090	$ 201,945

Net revenues for the year ended December 31, 2001 increased by $203.3 million, or 18.3%, to $1.3 billion from $1.1 billion in 2000. Cost related to revenues and other costs and expenses for the three months ended March 31, 2001 increased by $175.1 million, or 19.2%, to $1.1 billion from $910.5 million in 2000. EBITDA for the three months ended March 31, 2001 increased by $28.1 million, or 13.9%, to $230.1 million from $202.0 million in 2000.

The following discussion provides an analysis of the pro forma revenues and costs related to revenues and other costs and expenses by significant business segment.

CABLE AND STUDIOS

Net revenues for the three months ended March 31, 2001 increased by $58.7 million, or 15.5%, to $437.7 million from $379.0 in 2000. The increase resulted from an increase in advertising revenues at USA Network and Sci Fi Channel, including the satisfaction of makegood liabilities at a higher level in Q1 2001. Affiliate revenues increased at both networks due to a higher number of subscribers as compared to the prior year. Net revenues at Studios USA increased significantly due to increased drama productions for the broadcast networks and increased productions for USA Network and Sci Fi Channel. Note that Studios USA defers revenue recognition for internally produced series for USA Network and Sci Fi Channel until the product is aired on the networks.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2001 increased by $34.0 million, or 14.2%, to $274.2 million from $240.2 million in 2000. This increase resulted primarily from costs associated with the increased revenues of all of the businesses, including the costs of providing increased product to the broadcast networks, for which programs generally run a deficit in the early years, offset partially by efficient use of programming by USA Network, resulting in reduced program amortization, and increased usage of internally developed product.

EBITDA for the three months ended March 31, 2001 increased by $24.7 million, or 17.8%, to $163.4 million from $138.8 million in 2000.

EMERGING NETWORKS

Net revenues increased by $5.6 million to $6.2 million from $.6 million for the three months ended March 31, 2001 as compared to 2000 due to the acquisition of Trio and NewsWorld International on May 19, 2000. Prior to this acquisition, the results reflect only SciFi.com. Cost related to revenue increased by $5.0 million for the three months ended March 31, 2001 as compared to 2000. The increase is primarily related to the increased revenues as well as start-up initiatives. EBITDA loss for the three months ended March 31, 2001 decreased by $.6 million, to a loss of $1.7 million for the three months ended March 31, 2001.

FILMED ENTERTAINMENT

Net revenues for the three months ended March 31, 2001 increased by $20.7 million, or 68.3%, to $51.0 million compared to $30.3 million in 2000 due primarily to increased theatrical revenues generated on TRAFFIC, the third highest grossing film during Q1 in North America. Cost related to revenues and other costs and expenses for the three months ended March 31, 2001 increased by $23.9 million due to higher film amortization costs and higher prints and advertising costs, as the Company adopted SOP 00-2, "Accounting by Producers and Distributors of Films" in Q1 2001. The new rules require that prints and advertising costs be expensed as incurred. EBITDA loss for the three months ended March 31, 2001 increased by $3.2 million, to a loss of $1.0 million for the three months ended March 31, 2001.

ELECTRONIC RETAILING

Net revenues for the three months ended March 31, 2001 increased by $34.9 million, or 8.3%, to $455.1 million from $420.2 million in 2000. The increase primarily resulted from Home Shopping Network's domestic business, which generated increased sales of $26.9 million, including increased sales of $14.2 million from HSN.com. Electronic retailing operations in Germany generated increased sales of $7.3 million, although sales were hindered by the conversion to a new order management system, which delayed certain shipments. Total units shipped increased to 8.4 million units compared to 8.3

million units in 2000, while the average price point increased as a result of product mix. Furthermore, the return rate decreased to 20.0% from 20.9% in 2000.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2001 increased by $46.7 million, or 13.0%, to $405.0 million from $358.4 million in 2000. The increase resulted primarily from higher sales volume, including the impact of selling goods at a lower margin (32.3% in 2001 as compared to 33.6% in 2000), and higher international costs related to the Company's expansion efforts and increased live broadcasting hours.

EBITDA for the three months ended March 31, 2001 for domestic electronic retailing, excluding the impact of $6.3 million of one-time credits recognized in Q1 2000, increased by $2.3 million, or 4.7%, to $51.7 million from $49.4 million in 2000. EBITDA for electronic retailing in Germany decreased $3.0 million due to higher operating costs and the conversion to a new order management system, which delayed certain shipments. EBITDA for other international locations decreased $4.9 million due to higher costs related to expansion efforts and increased live broadcasting hours.

TICKETING OPERATIONS

Net revenues for the three months ended March 31, 2001 increased by $22.1 million, or 17.3%, to $150.1 million from $128.0 million in 2000. The increase resulted from an increase of 8% in the number of tickets sold and an increase in revenue per ticket to $5.96 from $5.44 in 2000. The percentage of tickets sold online for 2001 is approximately 29.5%, as compared to 19.6% in 2000.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2001 increased by $19.3 million, or 19.2%, to $119.9 million from $100.6 million in 2000. The increase resulted primarily from higher ticketing operations costs as a result of higher ticketing volume, including commission expenses and credit card processing fees.

EBITDA for the three months ended March 31, 2001 increased by $2.9 million, or 10.4%, to $30.2 million from $27.4 million in 2000.

HOTEL RESERVATIONS

Net revenues for the three months ended March 31, 2001 increased by $50.0 million, or 90.5%, to $105.3 million from $55.3 million in 2000. The increase resulted from expansion of affiliate marketing programs to over 18,600 in 2001 from 6,000 in 2000, an increase in the number of hotels in existing cities as well as expansion into 86 new cities. The number of room nights sold increased 86% to 799,000 in 2001 compared to 429,000 in 2000.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2001 increased by $42.4 million, or 90.0%, to $89.5 million from $47.1 million in 2000. The increase in costs is primarily due to increased sales, including an increased percentage of revenue attributable to affiliate and travel agent sales (for which commissions are paid), increased credit card charge backs, and increased staffing levels and systems to support increased operations, and higher marketing costs, partially offset by lower telephone and telephone operator costs due to the increase in Internet-related bookings, which increased to 96.5% in 2001 compared to 90.8% in 2000.

EBITDA for the three months ended March 31, 2001 increased by $7.6 million, or 93.5%, to $15.8 million from $8.2 million in 2000.

TELESERVICES

Net revenues for the three months ended March 31, 2001 increased by $11.0 million, or 15.9%, to $80.7 million from $69.7 million in 2000. The increase resulted primarily from the addition of new clients and expansion of certain existing relationships.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2001 increased by $10.5 million, or 17.4%, to $70.7 million from $60.2 million in 2000 due primarily to increased operations and costs associated with obtaining new clients.

EBITDA for the three months ended March 31, 2001 increased by $.6 million, or 5.9%, to $10.0 million from $9.4 million in 2000.

CITYSEARCH, MATCH.COM AND RELATED

Net revenues for the three months ended March 31, 2001 increased by $4.0 million, or 23.3%, to $20.9 million compared to $17.0 million in 2000 due primarily to increased advertising revenues related to city guides and increased subscription revenue related to the personals business.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2001 decreased by $1.9 million to $32.8 million from $34.7 million in 2000. The decrease resulted primarily from initiatives enacted in 2000, which resulted in decreased operating costs.

EBITDA loss for the three months ended March 31, 2001 decreased by $5.9 million to $11.8 million from $17.7 million in 2000.

ELECTRONIC COMMERCE SOLUTIONS

Net revenues for the three months ended March 31, 2001 were $4.8 million compared to $4.7 million in 2000 due to increases in ECS teleservices, offset partially by a decrease of Short Shopping contextual selling spots. Cost related to revenues and other costs and expenses for the three months ended March 31, 2001 increased by $1.0 million due primarily to higher operating expenses. EBITDA loss for the three months ended March 31, 2001 increased by $.9 million.

STYLECLICK

Net revenues for the three months ended March 31, 2001 decreased by $3.9 million to $4.0 million compared to $7.9 million in 2000. Revenue from the auction sites decreased due to the shut-down of the First Jewelry site. Cost related to revenues and other costs and expenses for the three months ended March 31, 2001 decreased by $4.1 million to $14.5 million from $18.6 million in 2000. The decrease primarily resulted from lower marketing expenditures by the auction business. Primarily in conjunction with the shut down of First Jewelry, Styleclick recorded a $2 million write-down of the inventory in Q1 2001. EBITDA loss for the three months ended March 31, 2001 was $10.4 million compared to $10.7 million in 2000. As a result of the current and anticipated operating losses of Styleclick, and the continuing evaluation of the operations and technology, management is continuing to evaluate the operations of Styleclick, which could result in additional write-downs and costs to further restructure the business to improve results.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $127.1 million for the three months ended March 31, 2001 compared to $180.9 million for the three months ended March 31, 2000. The decrease in cash provided by operations was primarily due to higher payments for program rights and film costs and higher payments for accounts payable related to inventory purchases in late 2000. These cash proceeds and available cash and borrowings were used to pay for acquisitions of $82.3 million, to make capital expenditures of $28.6 million, and to make mandatory tax distribution payments to the LLC partners of $17.4 million.

On February 12, 1998, USAi and USANi LLC, as borrower, entered into a credit agreement that provided for a $1.6 billion credit facility. Of that amount, $1.0 billion was permanently repaid in prior years. The $600.0 million revolving credit facility expires on December 31, 2002. As of March 31, 2001, there was $561.3 million available for borrowing after taking into account outstanding letters of credit.

On February 28, 2001, the Company made a mandatory tax distribution payment to Universal and Liberty in the amount of $17.4 million. On February 29, 2000, the Company made a mandatory tax distribution payment to Universal and Liberty in the amount of $68.1 million.

In connection with the 2000 acquisition of Universal's domestic film distribution and development business previously operated by PFE and PFE's domestic video and specialty video businesses transaction, USAi advanced $200.0 million to Universal in 2000 pursuant to an eight year, full recourse, interest-bearing note in connection with a distribution agreement, under which USAi will distribute, in the United States and Canada, certain Polygram Filmed Entertainment, Inc. theatrical films that were not acquired in the transaction. The advance is repaid as revenues are received under the distribution agreement and, in any event, will be repaid in full at maturity. Through March 31, 2001, approximately $136.8 million has been offset against the advance, including $16.5 million in 2001. Interest accrued on the loan through March 31, 2001 is approximately $17.1 million, including $1.6 million in 2001.

In July 2000, USAi announced that its Board of Directors authorized the extension of the Company's stock repurchase program providing for the repurchase of up to 20 million shares of USAi's common stock over the next 12 months, on the open market or in negotiated transactions. The amount and timing of purchases, if any, will depend on market conditions and other factors, including USAi's overall capital structure. Funds for these purchases will come from cash on hand or borrowings under the Company's credit facility. During the three months ended March 31, 2001, the Company made no purchases of its common stock through this program.

USAi anticipates that it will need to invest working capital towards the development and expansion of its overall operations. Due primarily to the expansion of its Internet businesses, future capital expenditures may be higher than current amounts.

In management's opinion, available cash, internally generated funds and available borrowings will provide sufficient capital resources to meet USAi's foreseeable needs.

During the three months ended March 31, 2001, USAi did not pay any cash dividends, and none are permitted under USAi's existing credit facility. USAi's subsidiaries have no material restrictions on their ability to transfer amounts to fund USAi's operations.

SEASONALITY

USAi's businesses are subject to the effects of seasonality.

Cable and Studios revenues are influenced by advertiser demand and the seasonal nature of programming, and generally peak in the spring and fall.

USAi believes seasonality impacts its Electronic Retailing segment but not to the same extent it impacts the retail industry in general.

Ticketing Operations revenues are occasionally impacted by fluctuation in the availability of events for sale to the public.

Hotel reservations revenues are influenced by the seasonal nature of holiday travel in the markets it serves, and has historically peaked in the fall. As the business expands into new markets, the impact of seasonality is expected to lessen.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

The Company's exposure to market rate risk for changes in interest rates relates primarily to the Company's short-term investment portfolio and issuance of debt. The Company does not use derivative financial instruments in its investment portfolio. The Company has a prescribed methodology whereby it invests its excess cash in debt instruments of government agencies and high quality corporate issuers. To further mitigate risk, the vast majority of the securities have a maturity date within 60 days. The portfolio is reviewed on a periodic basis and adjusted in the event that the credit rating of a security held in the portfolio has deteriorated.

At March 31, 2001, the Company's outstanding debt approximated $613.1 million, substantially all of which is fixed rate obligations. If market rates decline, the Company runs the risk that the related required payments on the fixed rate debt will exceed those based on the current market rate.

FOREIGN CURRENCY EXCHANGE RISK

The Company conducts business in certain foreign markets. However, the level of operations in foreign markets is insignificant to the consolidated results.

EQUITY PRICE RISK

The Company has a minimal investment in equity securities of publicly-traded companies. This investment, as of March 31, 2001, was considered available-for-sale, with the unrealized gain deferred as a component of stockholders' equity. It is not customary for the Company to make investments in equity securities as part of its investment strategy.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the Urban litigation, previously reported in the Company's Form 10-K for the year ended December 31, 2000, on April 6, 2001, the U.S. Bankruptcy Court for the Eastern District of Virginia approved a sale of Urban Broadcasting Corporation's ("Urban") assets for the sum of $60,000,000. If the sale closes, the proceeds therefrom will be sufficient to pay all of Urban's creditors in full, including USA Station Group of Virginia, Inc.'s ("USA-SGV") judgment claim, and leave substantial funds for distribution to Urban's equity holders. At this time, it is not possible to predict when USA-SGV's claim will be paid or the timing and amount of any distribution USA-SGV will receive as a shareholder in Urban.

In the Ticketmaster Cash Discount Litigation previously reported in the Company's Form 10-K for the year ended December 31, 2000, the Court granted final approval of the settlement on May 11, 2001. In doing so, the Court overruled all pending objections. USAi does not believe that the settlement will have a material impact on its financial results.

In the Marketingworks litigation, previously reported in the Company's Form 10-K for the year ended December 31, 2000, the parties have reached a settlement. Formal drafts are being exchanged and the parties expect to conclude the matter by the end of the month. The Company does not believe that the outcome of this litigation will have a material impact on its financial results.

In the ordinary course of business, the Company and its subsidiaries are parties to litigation involving property, personal injury, contract and other claims. The amounts that may be recovered in these matters may be subject to insurance coverage. Although amounts recovered in litigation are not expected to be material to the financial position or operations of the Company, this litigation, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could materially harm our business.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation of USAi filed as Exhibit 3.1 to USAi's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000, is incorporated herein by reference.
3.2	Amended and Restated By-Laws of USAi filed as Exhibit 3.1 to USAi's Form 8-K, dated January 9, 1998, is incorporated herein by reference.

(b) Reports on Form 8-K filed during the quarter ended March 31, 2001.

On January 10, 2001, USAi furnished a report on Form 8-K reporting under Item 9, Regulation FD Disclosure, attaching investor presentation materials.

On February 1, 2001, USAi furnished a report on Form 8-K reporting under Item 9, Regulation FD Disclosure, attaching a press release announcing its results for the quarter and year ended December 31, 2000, forward-looking information and supplemental information.

On March 6, 2001, USAi furnished a report on Form 8-K reporting under Item 9, Regulation FD Disclosure, attaching investor presentation materials.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

May 15, 2001

USA NETWORKS, INC.

By: /s/ BARRY DILLER

Barry Diller
Chairman and Chief Executive Officer

NAME	TITLE	DATE
/s/ BARRY DILLER Barry Diller	Chairman of the Board and Chief Executive Officer	May 15, 2001
/s/ MICHAEL SILECK Michael Sileck	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	May 15, 2001
/s/ WILLIAM J. SEVERANCE William J. Severance	Vice President and Controller (Chief Accounting Officer)	May 15, 2001

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
	(IN THOUSANDS)	
NET REVENUES		
Cable and studios	$437,651	$378,953
Electronic retailing	455,075	420,217
Electronic commerce solutions	4,749	1,000
Styleclick	4,019	6,617
Emerging networks	6,162	562
Total net revenues	907,656	807,349
Operating costs and expenses:		
Cost of sales and services	309,934	280,544
Program costs	201,465	165,864
Selling and marketing	98,299	88,593
General and administrative	80,954	71,689
Other operating costs	34,432	25,724
Amortization of cable distribution fees	8,756	8,223
Amortization of non-cash compensation	2,512	990
Depreciation and amortization	56,387	47,738
Total operating costs and expenses	792,739	689,365
Operating profit	114,917	117,984
Other income (expense):		
Interest income	12,910	13,829
Interest expense	(17,788)	(16,907)
Miscellaneous	(7,075)	(2,479)
	(11,953)	(5,557)
Earnings before income taxes and minority interest	102,964	112,427
Minority interest expense	(57,496)	(66,010)
Income tax expense	(20,904)	(24,627)
Earnings before cumulative effect of accounting change	24,564	21,790
Cumulative effect of accounting change, net of tax	1,901	
NET EARNINGS	$ 26,465	$ 21,790

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	MARCH 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 84,089	$ 71,816
Accounts and notes receivable, net of allowance of $61,969 and $50,646, respectively	489,772	519,365
Inventories, net	385,130	396,523
Investments held for sale	500	750
Deferred income taxes	15,909	17,448
Other current assets, net	22,857	18,024
Total current assets	998,257	1,023,926
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	146,127	143,559
Buildings and leasehold improvements	76,802	71,979
Furniture and other equipment	82,134	76,623
Land	10,296	10,281
Projects in progress	28,670	32,747
	344,029	335,189
Less accumulated depreciation and amortization	(99,943)	(83,549)
	244,086	251,640
OTHER ASSETS		
Intangible assets, net	4,987,638	5,023,735
Cable distribution fees, net	151,371	159,473
Long-term investments	36,919	29,187
Notes and accounts receivable, net ($40,585 and $22,575, respectively, from related parties)	71,251	33,571
Inventories, net	459,388	430,215
Advances to USAI and subsidiaries	554,299	547,292
Deferred charges and other, net	43,731	44,011
	$7,546,940	$7,543,050
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 24,177	$ 20,053
Accounts payable, trade	135,488	201,484
Obligations for program rights and film costs	295,469	283,812
Cable distribution fees payable	33,068	33,598
Deferred revenue	53,867	41,335
Other accrued liabilities	326,739	351,331
Total current liabilities	868,808	931,613
LONG-TERM OBLIGATIONS (NET OF CURRENT MATURITIES)	537,668	504,063
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current	279,909	295,210
OTHER LONG-TERM LIABILITIES	76,807	81,925
DEFERRED INCOME TAXES	22,080	25,821
MINORITY INTEREST	4,487,201	4,420,252
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDER'S EQUITY		
Common stock	1,221,408	1,221,408
Additional paid-in capital	70,312	70,312
Retained earnings	(6,595)	(2,320)
Accumulated other comprehensive loss	(10,658)	(5,234)
Total stockholder's equity	1,274,467	1,284,166
	$7,546,940	$7,543,050

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
(UNAUDITED)

	TOTAL	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME
			(IN THOUSANDS)		
BALANCE AT DECEMBER 31, 2000.........	$1,284,166	$1,221,408	$70,312	$ (2,320)	$ (5,234)
Comprehensive Income:					
Net earnings for the three months ended March 31, 2001.............	26,465	--	--	26,465	--
Foreign currency translation.......	(5,271)				(5,271)
Increase in unrealized gains in available for sale securities....	(153)	--	--	--	(153)
Comprehensive income...............	21,041				
Mandatory tax distribution to LLC partners.........................	(30,740)	--	--	(30,740)	--
BALANCE AT MARCH 31, 2001............	$1,274,467	$1,221,408	$70,312	$ (6,595)	$ (10,658)

Accumulated other comprehensive income is comprised of unrealized gains on available for sale securities of $(5,800) and $(5,647) at March 31, 2001 and December 31, 2000, respectively and foreign currency translation adjustments of $(4,858) and $413 at March 31, 2001 and December 31, 2000, respectively.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2001	2000
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 26,465	$ 21,790
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	56,387	47,738
Amortization of cable distribution fees	8,756	8,223
Amortization of program rights and film costs	175,966	143,468
Cumulative effect of accounting change	(1,901)	
Non-cash compensation	2,512	990
Amortization of deferred financing costs	465	935
Equity in losses of unconsolidated affiliates	4,773	2,788
Minority interest expense	57,496	66,010
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable	(3,805)	(767)
Inventories	18,463	21,921
Accounts payable	(65,919)	(9,225)
Accrued liabilities and deferred revenue	11,486	33,999
Payment for program rights and film costs	(215,251)	(166,028)
Increase in cable distribution fees	(732)	(18,591)
Other, net	(4,410)	18,644
NET CASH PROVIDED BY OPERATING ACTIVITIES	70,751	171,895
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(2,348)	(3,997)
Capital expenditures	(19,025)	(17,010)
Increase in long-term investments and notes receivable	(30,619)	(1,853)
Advance to Styleclick	-	(5,000)
Other, net	(3,957)	(4,458)
NET CASH USED IN INVESTING ACTIVITIES	(55,949)	(32,318)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	40,244	19,514
Intercompany	(30,943)	(2,673)
Payment of mandatory tax distribution to LLC partners	(30,737)	(118,169)
Principal payments on long-term obligations	(2,433)	(16,162)
Repurchase of LLC shares	(646)	(34,419)
Proceeds from issuance of LLC shares	29,495	14,485
Other	(5,829)	(7,550)
NET CASH USED IN FINANCING ACTIVITIES	(849)	(144,974)
Effect of exchange rate changes on cash and cash equivalents	(1,680)	(299)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,273	(5,696)
Cash and cash equivalents at beginning of period	71,816	247,474
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 84,089	$ 241,778

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

Home Shopping Network, Inc. (the "Company" or "Home Shopping"), is a holding company, whose subsidiary USANi LLC is engaged in diversified media and electronic commerce businesses. In December 1996, the Company consummated a merger with USA Networks, Inc. ("USAi"), formerly known as HSN, Inc., and became a subsidiary of USAi (the "Home Shopping Merger").

On July 27, 2000, the Company and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers ("Styleclick.com"), completed the merger of Internet Shopping Network ("ISN") and Styleclick.com (the "Styleclick Transaction"). See Note 3.

The Company is a holding company, the subsidiaries of which are focused on the new convergence of entertainment, information and direct selling.

The five principal areas of business are:

- CABLE AND STUDIOS, consisting of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming.

- ELECTRONIC RETAILING, consisting primarily of HSN and America's Store, HSN International and HSN Interactive, including HSN.com.

- ELECTRONIC COMMERCE SOLUTIONS, which primarily represents the Company's electronic commerce solutions business.

- STYLECLICK, a facilitator of e-commerce websites and Internet enabled applications which includes the Company's online retailing networks.

- EMERGING NETWORKS, consists primarily of the recently acquired cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com. an emerging Internet content and commence site.

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the twelve months ended December 31, 2000.

In the opinion of the Company, all adjustments necessary for a fair presentation of such Condensed Consolidated Financial Statements have been included. Such adjustments consist of normal recurring items. Interim results are not necessarily indicative of results for a full year. The interim Condensed Consolidated Financial Statements and Notes thereto are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the Company's audited Consolidated Financial Statements and Notes thereto.

ACCOUNTING ESTIMATES

Management of the Company is required to make certain estimates and assumptions during the preparation of consolidated financial statements in accordance with generally accepted accounting principles. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements.

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)
They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

Significant estimates underlying the accompanying consolidated financial statements include the inventory carrying adjustment, program rights and film cost amortization, sales return and other revenue allowances, allowance for doubtful accounts, recoverability of intangibles and other long-lived assets, estimates of film revenue ultimates and various other operating allowances and accruals.

NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS ("SOP 00-2") during the three months ended March 31, 2001. SOP 00-2 established new film accounting standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. Specifically, SOP 00-2 requires advertising costs for theatrical and television product to be expensed as incurred. This compares to the Company's previous policy of first capitalizing these costs and then expensing them over the related revenue streams. In addition, SOP 00-2 requires development costs for abandoned projects and certain indirect overhead costs to be charged directly to expense, instead of those costs being capitalized to film costs, which was required under the previous accounting rules. SOP 00-2 also requires all film costs to be classified in the balance sheet as non-current assets. Provisions of SOP 00-2 in other areas, such as revenue recognition, generally are consistent with the Company's existing accounting policies.

SOP 00-2 was adopted as of January 1, 2001, and the Company recorded a one-time, non-cash after-tax benefit of $1.9 million. The benefit is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 2001 presentation, including all amounts charged to customers for shipping and handling, which are now presented as revenue.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "2000 Form 10-K") for a summary of all significant accounting policies.

NOTE 3--BUSINESS ACQUISITIONS

STYLECLICK TRANSACTION

On July 27, 2000, USAi and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network and Styleclick.com. The entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com and ISN. Styleclick, Inc. class A common stock is traded on the Nasdaq market under the symbol "IBUY". In accordance with the terms of the agreement, USAi invested $40 million in cash and agreed to contribute $10 million in dedicated media, and received warrants to purchase additional

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)
shares of the new company. At closing, Styleclick.com repaid the $10 million of borrowing outstanding under a bridge loan made by USAi.

The aggregate purchase price, including transaction costs, was $211.9 million.

In conjunction with the transaction, the Company recorded a pre-tax gain of $104.6 million based upon the 25% of ISN exchanged for 75% of Styleclick.com.

The Styleclick transaction has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $170.2 million was allocated to goodwill, and was initially being amortized over 3 years. Assets and liabilities as of the acquisition date consist of the following:

	(IN THOUSANDS)
Current assets	$39,992
Non-current assets	4,400
Goodwill	170,238
Current liabilities	2,716

The following unaudited pro forma condensed consolidated financial information for the three months ended March 31, 2000 is presented to show the results of the Company as if the Styleclick Transaction had occurred on January 1, 2000. The pro forma results reflect certain adjustments, including increased amortization related to goodwill, and are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 2000.

	THREE MONTHS ENDED MARCH 31, 2000
Net revenues	$808,601
Net income	15,788

NOTE 4--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000:

On January 20, 2000, the Company completed its acquisition of Ingenious Designs, Inc. ("IDI"), by issuing approximately 190,000 shares of USAi common stock for all the outstanding stock of IDI, for a total value of approximately $5.0 million.

NOTE 5--INDUSTRY SEGMENTS

The Company operates principally in five industry segments: Cable and studios, Electronic retailing, Electronic commerce solutions, Styleclick and Emerging networks. The Cable and studios segment consists of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming. The Electronic-retailing segment consists of Home Shopping Network, America's Store, HSN International and HSN Interactive, including HSN.com,

NOTE 5--INDUSTRY SEGMENTS (CONTINUED)

which are engaged in the sale of merchandise through electronic retailing. The Electronic commerce solutions segment primarily represents the Company's customer and e-care businesses. The Styleclick segment represents Styleclick, Inc., a facilitator of e-commerce websites and Internet enabled applications which includes the Company's online retailing networks. The Emerging networks segment consists primarily of the recently acquired cable television properties Trio and NewsWorld International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site.

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
	(IN THOUSANDS)	
REVENUE		
Cable and studios	$437,651	$378,953
Electronic retailing	455,075	420,217
Electronic commerce solutions	4,749	1,000
Styleclick	4,019	6,617
Emerging networks	6,162	562
	$907,656	$807,349
OPERATING PROFIT (LOSS)		
Cable and studios	$134,603	$110,787
Electronic retailing	14,073	30,012
Electronic commerce solutions	(6,590)	(3,923)
Styleclick	(13,048)	(7,871)
Emerging networks	(4,356)	(2,266)
Corporate and other	(9,765)	(8,755)
	$114,917	$117,984

NOTE 6--GUARANTEE OF NOTES

On November 23, 1998, USAi and the USANi LLC completed an offering of $500.0 million 6 3/4% Senior Notes due 2005 (the "Old Notes"). In May 1999, the Old Notes were exchanged in full for $500.0 million of new 6 3/4% Senior Notes due 2005 (the "Notes") that have terms that are substantially identical to the Old Notes. Interest is payable on the Notes on May 15 and November 15 of each year, commencing May 15, 1999. The Notes are jointly, severally, fully and unconditionally guaranteed by certain subsidiaries of USAi, including Holdco, and all of the subsidiaries of the Company (other than subsidiaries that are, individually and in the aggregate, inconsequential to the Company on a consolidated basis) (collectively, the "Subsidiary Guarantors"). All of the Subsidiary Guarantors (other than Holdco) (the "Wholly Owned Subsidiary Guarantors") are wholly owned, directly or indirectly, by USAi or the Company, as the case may be.

Separate financial statements for each of the Wholly Owned Subsidiary Guarantors are not presented and such Wholly Owned Subsidiary Guarantors are not filing separate reports under the Securities Exchange Act of 1934 because USAi's and the Company's management has determined that the information contained in such documents would not be material to investors. The Company and its subsidiaries have no material restrictions on their ability to transfer amounts to fund USAi's operations.

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

USANI LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
	(IN THOUSANDS)	
NET REVENUES		
Cable and studios	$437,651	$378,953
Electronic retailing	455,075	420,217
Electronic commerce solutions	4,749	1,000
Styleclick	4,019	6,617
Emerging networks	6,162	562
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Other operating costs	34,432	25,724
Amortization of cable distribution fees	8,756	8,223
Amortization of non-cash compensation	2,512	990
Depreciation and amortization	56,387	47,738
Total operating costs and expenses	792,739	689,365
Operating profit	114,917	117,984
Other income (expense):		
Interest income	12,910	13,829
Interest expense	(17,788)	(16,907)
Miscellaneous	(7,075)	(2,479)
	(11,953)	(5,557)
Earnings before income taxes and minority interest	102,964	112,427
Minority interest benefit (expense)	2,240	(2,296)
Income tax expense	(5,587)	(5,012)
Earnings before cumulative effect of accounting change	99,617	105,119
Cumulative effect of accounting change	6,470	--
NET EARNINGS	$106,087	$105,119

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USANI LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	MARCH 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 84,089	$ 71,816
Accounts and notes receivable, net of allowance of $61,969 and $50,646, respectively	489,772	519,365
Inventories, net	385,130	396,523
Investments held for sale	500	750
Other current assets, net	22,857	18,024
Total current assets	982,348	1,006,478
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	146,127	143,559
Buildings and leasehold improvements	76,802	71,979
Furniture and other equipment	82,134	76,623
Land	10,296	10,281
Projects in progress	28,670	32,747
	344,029	335,189
Less accumulated depreciation and amortization	(99,943)	(83,549)
	244,086	251,640
OTHER ASSETS		
Intangible assets, net	5,063,379	5,099,476
Cable distribution fees, net	151,371	159,473
Long-term investments	36,919	29,187
Notes and accounts receivable, net ($40,585 and $22,575, respectively, from related parties)	71,251	33,571
Inventories, net	459,388	430,215
Advances to USAI and subsidiaries	963,595	918,817
Deferred charges and other, net	43,731	44,011
	$8,016,068	$7,972,868
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 24,177	$ 20,053
Accounts payable, trade	135,488	201,484
Obligations for program rights and film costs	295,469	283,812
Cable distribution fees payable	33,068	33,598
Deferred revenue	53,867	41,335
Other accrued liabilities	318,425	342,995
Total current liabilities	860,494	923,277
LONG-TERM OBLIGATIONS (NET OF CURRENT MATURITIES)	537,670	504,063
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, NET OF CURRENT	279,909	295,210
OTHER LONG-TERM LIABILITIES	76,807	81,925
MINORITY INTEREST	20,603	28,662
COMMITMENTS AND CONTINGENCIES	--	--
MEMBERS' EQUITY		
ClassA (256,521,556 and 252,679,887 shares, respectively)	2,038,765	2,007,736
ClassB (282,161,532 shares)	2,978,635	2,978,635
ClassC (45,774,708 shares)	466,252	466,252
Retained earnings	771,333	695,986
Accumulated other comprehensive loss	(14,400)	(8,878)
Total members' equity	6,240,585	6,139,731
	$8,016,068	$7,972,868

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USANI LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

(UNAUDITED)

	TOTAL	CLASS A LLC SHARES	CLASS B LLC SHARES	CLASS C LLC SHARES	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME
			(IN THOUSANDS)			
BALANCE AT DECEMBER 31, 2000	$6,139,731	$2,007,736	$2,978,635	$466,252	$695,986	$ (8,878)
COMPREHENSIVE INCOME:						
Net earnings for the three months ended March 31, 2001	106,087	--	--	--	106,087	--
Foreign currency translation	(5,271)					(5,271)
Increase in unrealized gains in available for sale securities	(251)	--	--	--	--	(251)
Comprehensive income	100,565					
Issuance of LLC shares	31,675	31,675	--	--	--	--
Repurchase of LLC shares	(646)	(646)	--	--	--	--
Mandatory tax distribution to LLC partners	(30,740)	--	--	--	(30,740)	--
BALANCE AT MARCH 31, 2001	$6,240,585	$2,038,765	$2,978,635	$466,252	$771,333	$(14,400)

Accumulated other comprehensive income is comprised of unrealized gains on available for sale securities of $(9,542) and $(9,291) at March 31, 2001 and December 31, 2000, respectively and foreign currency translation adjustments of $(4,858) and $413 at March 31, 2001 and December 31, 2000, respectively.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USANI LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 106,087	$ 105,119
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	56,387	47,738
Amortization of cable distribution fees	8,756	8,223
Amortization of program rights and film costs	175,966	143,468
Cumulative effect of accounting change	(6,470)	
Non-cash compensation	2,512	990
Amortization of deferred financing costs	465	935
Equity in losses of unconsolidated affiliates	4,773	2,788
Minority interest (benefit) expense	(2,240)	2,296
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable	(3,805)	(767)
Inventories	18,463	21,921
Accounts payable	(65,919)	(9,225)
Accrued liabilities and deferred revenue	(3,831)	14,384
Payment for program rights and film costs	(215,251)	(166,028)
Increase in cable distribution fees	(732)	(18,591)
Other, net	(4,410)	18,644
NET CASH PROVIDED BY OPERATING ACTIVITIES	70,751	171,895
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(2,348)	(3,997)
Capital expenditures	(19,025)	(17,010)
Increase in long-term investments and notes receivable	(30,619)	(1,853)
Advance to Styleclick	--	(5,000)
Other, net	(3,957)	(4,458)
NET CASH USED IN INVESTING ACTIVITIES	(55,949)	(32,318)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	40,244	19,514
Intercompany	(30,943)	(2,673)
Payment of mandatory tax distribution to LLC partners	(30,737)	(118,169)
Principal payments on long-term obligations	(2,433)	(16,162)
Repurchase of LLC shares	(646)	(34,419)
Proceeds from issuance of LLC shares	29,495	14,485
Other	(5,829)	(7,550)
NET CASH USED IN FINANCING ACTIVITIES	(849)	(144,974)
Effect of exchange rate changes on cash and cash equivalents	(1,680)	(299)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,273	(5,696)
Cash and cash equivalents at beginning of period	71,816	247,474
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 84,089	$ 241,778

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

COMPANY FORMATION

USANi LLC (the "Company" or "LLC"), a Delaware limited liability company, was formed on February 12, 1998 and is a subsidiary of Home Shopping Network, Inc. ("Home Shopping" or "Holdco"), which is a subsidiary of USA Networks, Inc. ("USAi"), formerly known as HSN, Inc.

On July 27, 2000, the Company and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers ("Styleclick.com"), completed the merger of Internet Shopping Network ("ISN") and Styleclick.com (the "Styleclick Transaction"). See Note 3.

COMPANY BUSINESS

The Company is a holding company, the subsidiaries of which are focused on the new convergence of entertainment, information and direct selling.

The five principal areas of business are: CABLE AND STUDIOS, consisting of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming. ELECTRONIC RETAILING, consisting primarily of HSN and America's Store, HSN International and HSN Interactive, including HSN.com. ELECTRONIC COMMERCE SOLUTIONS, which primarily represents the Company's electronic commerce solutions business. STYLECLICK, a facilitator of e-commerce websites and Internet enabled applications which includes the Company's online retailing networks. EMERGING NETWORKS, consists primarily of the recently acquired cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com. an emerging Internet content and commence site.

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the twelve months ended December 31, 2000.

In the opinion of the Company, all adjustments necessary for a fair presentation of such Condensed Consolidated Financial Statements have been included. Such adjustments consist of normal recurring items. Interim results are not necessarily indicative of results for a full year. The interim Condensed Consolidated Financial Statements and Notes thereto are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the Company's audited Consolidated Financial Statements and Notes thereto.

ACCOUNTING ESTIMATES

Management of the Company is required to make certain estimates and assumptions during the preparation of consolidated financial statements in accordance with generally accepted accounting principles. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

Significant estimates underlying the accompanying consolidated financial statements include the inventory carrying adjustment, program rights and film cost amortization, sales return and other

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

revenue allowances, allowance for doubtful accounts, recoverability of intangibles and other long-lived assets, estimates of film revenue ultimates and various other operating allowances and accruals.

NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS ("SOP 00-2") during the three months ended March 31, 2001. SOP 00-2 established new film accounting standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. Specifically, SOP 00-2 requires advertising costs for theatrical and television product to be expensed as incurred. This compares to the Company's previous policy of first capitalizing these costs and then expensing them over the related revenue streams. In addition, SOP 00-2 requires development costs for abandoned projects and certain indirect overhead costs to be charged directly to expense, instead of those costs being capitalized to film costs, which was required under the previous accounting rules. SOP 00-2 also requires all film costs to be classified in the balance sheet as non-current assets. Provisions of SOP 00-2 in other areas, such as revenue recognition, generally are consistent with the Company's existing accounting policies.

SOP 00-2 was adopted as of January 1, 2001, and the Company recorded a one-time, non-cash benefit of $6.5 million. The benefit is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 2001 presentation, including all amounts charged to customers for shipping and handling, which are now presented as revenue.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "2000 Form 10-K") for a summary of all significant accounting policies.

NOTE 3--BUSINESS ACQUISITIONS

STYLECLICK TRANSACTION

On July 27, 2000, USAi and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network and Styleclick.com. The entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com and ISN. Styleclick, Inc. Class A common stock is traded on the Nasdaq market under the symbol "IBUY". In accordance with the terms of the agreement, USAi invested $40 million in cash and agreed to contribute $10 million in dedicated media, and received warrants to purchase additional shares of the new company. At closing, Styleclick.com repaid the $10 million of borrowing outstanding under a bridge loan made by USAi.

The aggregate purchase price, including transaction costs, was $211.9 million.

In conjunction with the transaction, the Company recorded a pre-tax gain of $104.6 million based upon the 25% of ISN exchanged for 75% of Styleclick.com.

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

The Styleclick transaction has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $170.2 million was allocated to goodwill, and was initially being amortized over 3 years. Assets and liabilities as of the acquisition date consist of the following:

	(IN THOUSANDS)
Current assets	$ 39,992
Non-current assets	4,400
Goodwill	170,238
Current liabilities	2,716

The following unaudited pro forma condensed consolidated financial information for the three months ended March 31, 2000 is presented to show the results of the Company as if the Styleclick Transaction had occurred on January 1, 2000. The pro forma results reflect certain adjustments, including increased amortization related to goodwill, and are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 2000.

	THREE MONTHS ENDED MARCH 31, 2000
Net revenues	$808,601
Net income	91,112

NOTE 4--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000:

On January 20, 2000, the Company completed its acquisition of Ingenious Designs, Inc. ("IDI"), by issuing approximately 190,000 shares of USAi common stock for all the outstanding stock of IDI, for a total value of approximately $5.0 million.

NOTE 5--INDUSTRY SEGMENTS

The Company operates principally in five industry segments: Cable and studios, Electronic retailing, Electronic commerce solutions, Styleclick, and Emerging networks. The Cable and studios segment consists of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming. The Electronic retailing segment consists of Home Shopping Network, America's Store, HSN International and HSN Interactive, including HSN.com, which are engaged in the sale of merchandise through electronic retailing. The Electronic commerce solutions segment primarily represents the Company's customer and e-care businesses. The Styleclick segment represents Styleclick, Inc., a facilitator of e-commerce websites and Internet enabled applications which includes the Company's online retailing networks. The Emerging networks segment

NOTE 5--INDUSTRY SEGMENTS (CONTINUED)
consists primarily of the recently acquired cable television properties Trio and NewsWorld International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site.

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	(IN THOUSANDS)	
REVENUE		
Cable and studios	$437,651	$378,953
Electronic retailing	455,075	420,217
Electronic commerce solutions	4,749	1,000
Styleclick	4,019	6,617
Emerging networks	6,162	562
	$907,656	$807,349
OPERATING PROFIT (LOSS)		
Cable and studios	$134,603	$110,787
Electronic retailing	14,073	30,012
Electronic commerce solutions	(6,590)	(3,923)
Styleclick	(13,048)	(7,871)
Emerging networks	(4,356)	(2,266)
Corporate and other	(9,765)	(8,755)
	$114,917	$117,984

NOTE 6-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

On November 23, 1998, USAi and the USANi LLC completed an offering of $500.0 million 6 3/4% Senior Notes due 2005 (the "Old Notes"). In May 1999, the Old Notes were exchanged in full for $500.0 million of new 6 3/4% Senior Notes due 2005 (the "Notes") that have terms that are substantially identical to the Old Notes. Interest is payable on the Notes on May 15 and November 15 of each year, commencing May 15, 1999. The Notes are jointly, severally, fully and unconditionally guaranteed by certain subsidiaries of USAi, including Holdco, and all of the subsidiaries of the Company (other than subsidiaries that are, individually and in the aggregate, inconsequential to the Company on a consolidated basis) (collectively, the "Subsidiary Guarantors"). All of the Subsidiary Guarantors (other than Holdco) (the "Wholly Owned Subsidiary Guarantors") are wholly owned, directly or indirectly, by USAi or the Company, as the case may be.

Separate financial statements for each of the Wholly Owned Subsidiary Guarantors are not presented and such Wholly Owned Subsidiary Guarantors are not filing separate reports under the Securities Exchange Act of 1934 because USAi's and the Company's management has determined that the information contained in such documents would not be material to investors. USANi LLC and its subsidiaries have no material restrictions on their ability to transfer amounts to fund USAi's operations.

NOTE 6-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

During 2000, in conjunction with the Styleclick Transaction, Styleclick became a non-guarantor. The following information is presented as of and for the three months ended March 31, 2001:

	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	LLC CONSOLIDATED
Current assets	$ 108,423	$ 842,750	$ 31,175	$ --	$ 982,348
Property and equipment net	23,318	206,048	14,720	--	244,086
Goodwill and other intangible assets, net	--	4,963,758	99,621	--	5,063,379
Investment in subsidiaries	5,705,122	99,345	--	(5,804,467)	--
Other assets	976,305	1,770,818	12,030	(1,032,898)	1,726,255
Total assets	$6,813,168	$7,882,719	$157,546	$(6,837,365)	$8,016,068
Current liabilities	$ 39,295	$ 802,256	$ 18,943	$ --	$ 860,494
Long-term debt, less current portion	533,288	4,380	--	2	537,670
Other liabilities	--	356,688	52,598	(52,570)	356,716
Minority interest	--	10,751	--	9,852	20,603
Interdivisional equity		6,708,644	86,005	(6,794,649)	--
Stockholders' equity	6,240,585		--		6,240,585
Total liabilities and shareholders' equity	$6,813,168	$7,882,719	$157,546	$(6,837,365)	$8,016,068
Revenue	$ --	$ 893,332	$ 14,324	$ --	$ 907,656
Operating expenses	(9,765)	(745,101)	(37,873)		(792,739)
Interest expense, net	3,228	(8,317)	211		(4,878)
Gain on sale of securities					--
Other income (expense), net	106,154	(5,103)	(1,972)	(106,154)	(7,075)
Provision for income taxes	--	(3,387)	(2,200)		(5,587)
Minority interest		(1,511)	--	3,751	2,240
Net income (loss)	99,617	129,913	(27,510)	(102,403)	99,617
Net income (loss) from cumulative effect on accounting change	6,470	6,470	--	(6,470)	6,470
Net earnings (loss)	$ 106,087	$ 136,383	$(27,510)	$ (108,873)	$ 106,087
Cash flows from operations	$ 2,655	$ 87,318	$(19,222)	$ --	$ 70,751
Cash flows used in investing activities	(377)	(54,604)	(968)	--	(55,949)
Cash flows from financing activities	24,146	(40,154)	15,159	--	(849)
Effect of exchange rate	(139)	(1,541)	--	--	(1,680)
Cash at the beginning of the period	78,079	(22,574)	16,311	--	71,816
Cash at the end of the period	$ 104,364	$ (31,555)	$ 11,280	$ --	$ 84,089